

EXECUTIVE SECRETARIAT

Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
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Remarks:

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 D/ Executive Secretary
 7/1/83
 Date

3637 (10-81)

THE WHITE HOUSE
WASHINGTON

Executive Registry

83-3350

CABINET AFFAIRS STAFFING MEMORANDUM

DATE: June 28, 1983 NUMBER: 073448CA DUE BY: _____

SUBJECT: Budget Conference Agreement and the Economy

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baker	<input type="checkbox"/>	<input type="checkbox"/>
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	Harper	<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CEA	<input type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCMA/Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The attached was prepared by OMB and is forwarded for your information.

RETURN TO:

☒ Craig L. Fuller
Assistant to the President

☐ Becky Norton Dunlop
Director, Office of
Cabinet Affairs

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The economic recovery is now firmly and broadly based, with the pace of activity gaining momentum with each passing month.

- o The growth in real output (GNP) accelerated in the second quarter to a 6.6% annual rate from 2.6% in the first quarter.
- o Industrial production has increased steadily over the past 6 months. The gain of 6.7% since December compares favorably with what occurred in prior postwar economic recoveries.
- o The housing industry is doing especially well. In May, housing starts were at a 1.8 million unit rate, the highest level in 3 1/2 years.
- o Retail sales in the three months ended in May are up at a 13.8% annual rate over the previous three months.
- o Automobile sales have also begun to surge in recent months. In May, sales of domestic cars were at a 6.7 million annual rate, up more than 30% from last summer. And the pace seems to have picked up in early June.
- o The stock market has reached an all-time high, with the Dow-Jones Index up more than 50% since last August.
- o Consumer confidence has soared in recent months. The University of Michigan Index of Consumer Sentiment is now at its highest level in 10 years.
- o Although unemployment is still too high, 800,000 new jobs have been created since December, and the decline in the unemployment rate is the largest at this stage of the business cycle since the Korean War.
- o Inflation remains well under control even with the pickup in economic activity. The May CPI was only 3.5% higher than a year earlier; the best performance since December 1972.

Office of Economics and Planning
Office of Management and Budget
June 22, 1983

MAJOR PROBLEMS WITH BUDGET CONFERENCE AGREEMENTI. The Administration strongly opposes the Conference Agreement on the Budget Resolution. Adoption of the agreement would reverse the fiscal priorities of the Reagan Administration. The Conference Agreement would:

- o Allow for dramatic increases in domestic spending, including several billion for unnecessary new spending programs;
- o Finance these domestic spending increases by raising taxes, drastic cuts in defense, and increasing the FY84 deficit; and
- o Unnecessarily jeopardize the progress of the economic recovery now underway.

II. The Conference Agreement Increases Revenues by More Than a Third More Than the President's Budget.

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total</u>
o President April*.	+2.6	+5.4	+48.4	+56.4
o Resolution.....	+12.0	+15.0	+46.0	+73.0

*as submitted

III. The Conference Agreement Includes a Defense Growth Rate Less Than Half That Proposed by the President for FY84 and FY85.Cut From President's January Request*:

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total</u>
o Budget Authority.	-11.9	-32.7	-35.8	-80.4
o Outlays.....	-5.3	-20.0	-28.0	-53.3

*as submitted

Real Growth*:

	<u>1984</u>	<u>1985</u>	<u>1986</u>	
o President.....	10.2%	10.4%	4.5%	--
o Resolution.....	4.7%	4.9%	5.0%	--

*Based on CBO deflators with varying pay assumptions

IV. Agreement Actually Increases Spending for Existing Non-Defense Programs (Excluding Interest) Instead of Decreasing It.

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total</u>
o CBO Baseline.....	511.2	536.7	565.3	1,613.2
o President.....	-13.4	-21.4	-28.1	-62.9
o Resolution.....	+1.2	+1.7	-2.9	+0.0

V. In Addition, Agreement Includes A \$16 Billion Dollar Reserve Fund (excluding interest) for Unnecessary New Domestic Programs

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total</u> <u>FY84-86</u>
o Budget Authority..	+6.0	+8.3	+4.8	+3.0	+16.1
o Outlays.....	+5.4	+8.5	+3.4	+2.0	+13.9

o Reserve Fund Spending Items:

- o \$4 billion public jobs bill
- o Industrial Development Bank
- o Health Benefits for the Unemployed
- o Mortgage Bailout
- o PSC Extension
- o Agricultural Credit Relief
- o Infrastructure Initiative
- o Food Stamps
- o Veterans Employment Initiative

VI. In Total, Conference Agreement Proposes to Increase Domestic Spending (Excluding Interest) Over the President's Request by \$23.1 Billion in FY84 and \$76.8 Billion FY84-86.

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total</u>
o Domestic Over Request.....	+23.1	+26.5	+27.2	+76.8

VII. Almost 70 Percent of the Increase in Domestic Spending
FY84-86 Would be Financed by Cutting Defense Spending

- o Defense spending would be cut below the last Carter Budget.

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>Total</u>
o Resolution....	240.0	265.3	295.0	800.3
o Carter.....	<u>237.8</u>	<u>267.8</u>	<u>299.5</u>	<u>805.1</u>
o Difference....	+2.2	-2.5	-4.5	-4.8

June 22, 1983 2:45 PM